

## Message Text

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ACTION STR-07

INFO OCT-01 EA-10 IO-13 ISO-00 STRE-00 DOEE-00 SSO-00  
AGRE-00 CEA-01 CIAE-00 DODE-00 EB-08 FRB-03 H-01  
INR-10 INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01  
CTME-00 AID-05 SS-15 ITC-01 TRSE-00 ICA-11 SP-02  
SOE-02 OMB-01 DOE-15 /124 W  
-----087577 042020Z /42

P 031706Z APR 78  
FM USMISSION GENEVA  
TO SECSTATE WASHDC PRIORITY 7899  
INFO AMEMBASSY TOKYO  
USDOC WASHDC

LIMITED OFFICIAL USE SECTION 01 OF 02 GENEVA 04940

USMTN

ACTION STR PASS ELECTRONICALLY FOR KELLY

COMMERCE FOR MONTGOMERY

EO 11652: N/A  
TAGS: ETRD, GATT, MTN  
SUBJECT: JAPAN/US BILATERAL ON TARIFF OFFERS AND AVERAGES

1. USMTN DEL MET WITH H. UDAGAWA, MITI TARIFF DIVISION  
DIRECTOR, TWO OTHER MITI OFFICIALS, AND JAPANESE MTN DEL  
AT REQUEST OF JAPANESE TO DISCUSS US AND JAPANESE TARIFF  
OFFERS AND AVERAGES. JAPANESE PRESENTED ANALYTICAL TABLE  
OF US AND JAPAN TARIFF AVERAGES CALCULATED FOR ALL  
INDUSTRIAL PRODUCTS EXCEPT PETROLEUM AND FOR INDUSTRIAL  
PRODUCTS INCLUDED IN JAPANESE AND US TARIFF OFFERS  
(I.E., EXCLUDING FOR JAPAN PETROLEUM, OTHER JAPANESE  
EXCLUSIONS, AND WOOD AND WOOD PRODUCTS). COPY OF TABLE  
HAND CARRIED TO STR BY BRUCE WILSON.

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2. JAPANESE STATED THAT THE COMMITMENT TO ACHIEVE  
COMPARABLE AVERAGE LEVELS OF BOUND TARIFFS IN THE STRAUSS/  
USHIBA AGREEMENT WOULD BE MET IF ONE COMPARES US AND  
JAPANESE AVERAGES ON THE BASIS OF CURRENTLY BOUND ITEMS  
ONLY FOR BILATERAL TRADE, WEIGHTED BY DUTIABLE PLUS DUTY-  
FREE IMPORTS. THEY MAINTAINED THAT THIS FORMULATION

APPLIED TO EACH COUNTRY'S OFFER RESULTS IN TARIFF AVERAGES OF 4.4 PERCENT FOR JAPAN AND 3.7 PERCENT FOR THE US ASSUMING NO EXCLUSIONS EXCEPT PETROLEUM. WHEN JAPANESE EXCLUSIONS AND WOOD PRODUCTS ARE OMITTED FROM THE CALCULATION, BOTH AVERAGES EQUAL 3.7 PERCENT.

3. WHILE QUESTIONING JAPANESE METHODOLOGY, US DEL REFUSED TO ENGAGE IN DEBATE ON MERITS OF VARIOUS WAYS TO CALCULATE TARIFF AVERAGES AND EXPRESSED DISINTEREST IN REVIEWING BASE RATE/BASE DATE ARGUMENTS. DELEGATION INSTEAD URGED THAT US AND JAPAN FOCUS ON IMPLEMENTING STRAUSS/USHIBA AGREEMENT TO OBTAIN EQUITY IN THE US/JAPAN TRADING RELATIONSHIP. JAPANESE DELEGATION ATTEMPTED TO CLARIFY ITS CHOICE OF AVERAGES, BUT WAS UNABLE TO GIVE RATIONALE FOR ITS CHOICE (EXCEPT THAT IT PRODUCED AVERAGE CLOSEST TO US AVERAGE). US DEL CITED SHORTCOMINGS OF TARIFF AVERAGE COMPARISONS, PARTICULARLY JAPANESE INTENTION TO EXCLUDE LARGE NUMBER OF ITEMS NOT EXCLUDED BY US AND JAPANESE DESIGNATION OF WOOD AND WOOD PRODUCTS AS AGRICULTURAL.

4. UDAGAWA TURNED TO CRITICISM OF US SUPPLEMENTAL REQUEST FOR IMPROVEMENT OF JAPANESE TARIFF OFFER. HE SAID THAT "TOKYO WAS SERIOUSLY EMBARRASSED" BY US REQUEST LIST AND US REQUEST FOR RESPONSE BEFORE APRIL 10, WHICH LIMITED OFFICIAL USE

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HE SAID WAS NOT POSSIBLE. HE ASKED THAT US DEL SUPPLY FOLLOWING INFORMATION CONCERNING REQUEST LIST ASAP:

(A) PRECISE EXPLANATION OF US PROCEDURES AND CRITERIA FOR ESTABLISHING LIST AND REQUESTED RATES;

(B) ANY CONSIDERATION BY US OF JAPANESE INDUSTRIAL CONDITIONS IN MAKING UP REQUEST LIST.

5. UDAGAWA ALSO POSED FOLLOWING TECHNICAL QUESTIONS REGARDING REQUEST LIST:

(A) WHY ARE SOME RATES ON US REQUEST LIST LOWER THAN RATES ON COMPARABLE ITEMS IN US OFFER?

(B) WHY DID US REQUEST REDUCTIONS BY JAPAN ON SOME PRODUCTS WHICH APPEAR AS EXCEPTIONS OR DEFERRED ITEMS IN US OFFER?

(C) WHY DOES US REQUEST LIST CONTAIN ITEMS IN WHICH US EXPORTS TO JAPAN ARE ZERO OR VERY SMALL?

(D) WHY DOES US REQUEST DUTY FREE TREATMENT ON ONE  
ITEM (NOT IDENTIFIED) WHEN JAPANESE OFFER IS ALREADY TO GO  
TO ZERO?

6. US INDICATED WILLINGNESS TO DISCUSS THESE POINTS AT  
EARLIEST POSSIBLE DATE AND SUGGESTED MIDDLE OF THIS WEEK.  
US DEL SAID IT HOPED JAPANESE COULD PROVIDE AT THAT TIME  
A RESPONSE TO OUR QUESTIONS ON JAPANESE EXCLUSIONS AND  
EXPRESSED CONCERN THAT OFFICIALS IN TOKYO WOULD SUSPEND  
ANALYSIS OF US REQUESTS PENDING FURTHER EXPLANATIONS BY  
US DEL. US DELEGATION ALSO REQUESTED THAT DISCUSSION  
INCLUDE REVIEW OF JAPANESE EXCEPTIONS AND PARTIAL  
EXCEPTIONS.

7. UDAGAWA THEN PASSED WRITTEN COMMENTS ON US TARIFF

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NOTE BY OC/T: SECTION 2 OF 2 GENEVA 4940 BEING SERVICED.  
COPY TO FOLLOW.

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ACTION STR-07

INFO OCT-01 EA-10 IO-13 ISO-00 STRE-00 DOEE-00 SSO-00  
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INR-10 INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01  
CTME-00 AID-05 SS-15 ITC-01 TRSE-00 ICA-11 SP-02  
SOE-02 OMB-01 DOE-15 /124 W

-----123939 051522Z /41

P 051456Z APR 78

FM USMISSION GENEVA  
TO SECSTATE WASHDC PRIORITY 7900  
INFO AMEMBASSY TOKYO  
USDOC WASHDC

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ACTION STR PASS ELECTRONICALLY FORKELLY

COMMERCE FOR MONTGOMERY

OFFER TO US DEL. COPY WAS ALSO HAND CARRIED BY WILSON TO STR. JAPANESE COMMENTS FOCUSED ON UNCERTAINTIES OF US OFFER AND CITED DEFERRED OFFER ITEMS, ITEMS SUBJECT TO FINAL LIST, FOB/CIF ADJUSTMENTS, AND CONVERSION OF SPECIFIC DUTIES TO AD VALOREM DUTIES. JAPANESE ALSO ARGUED THAT ANY CORRECTION OF MISTAKES IN US OFFER WHICH RESULTS IN A SUBSTANTIAL CHANGE IN THE OFFER SHOULD BE TAKEN AS A MODIFICATION OF THE OFFER. JAPANESE COMMENTS NEXT FOCUSED ON LACK OF TARIFF HARMONIZATION OF US OFFER, THE LOW DEPTH OF CUT ON ITEMS REDUCED BY THE FORMULA AND ON ITEMS REDUCED BY LESS THAN THE FORMULA, THE FACT THAT GREATER-THAN-FORMULA REDUCTIONS WERE OFFERED FOR THE MOST PART ON ITEMS WITH INITIAL RATES OF FIVE PERCENT OR LESS, AND FINALLY, THE EXTENDED STAGING (TO MORE THAN EIGHT LIMITED OFFICIAL USE

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YEARS) FOR A NUMBER OF ITEMS.

8. UDAGAWA SAID JAPAN IS CONSIDERING SUBMITTING A REQUEST LIST TO THE UNITED STATES BEFORE APRIL 10.

9. COMMENT: JAPANESE WERE EXCEEDINGLY DEFENSIVE ABOUT THEIR OFFER AND COMBATIVE ABOUT THE UNCERTAINTIES IN THE US OFFER. WE HOPE TO CONCLUDE EXPLANATION OF US REQUESTS BY MID-WEEK TO ASSURE THAT ABSENCE OF EXPLANATION CANNOT BE USED BY JAPAN TO DEFER CONSIDERATION OF US REQUESTS.  
MCDONALD

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## Message Attributes

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Sheryl P. Walter  
Declassified/Released  
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20 Mar 2014  
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